

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on August 22, 2014 at 10 A.M. at Corporate Headquarters, 5 Davids Drive, Hauppauge, New York.

The following persons were present:

Dominick P. Feeney	Chairman
Herbert Hemendinger	Vice Chairman
Eddie S. Wynn	Secretary
Philip C. Nolan	President
Anthony Pancella III	Vice President
James McManmon	General Counsel
Celine Gazes	Comptroller
Kevin Snover, Esq.	Counsel to the Board of Directors (Conference Call)
Paulette L. Moses	Corresponding Secretary to the Board

Also Present:

Victor Salamone	Chief of Staff
Lorraine Pappas	Deputy Chief of Staff
John Luquer	Executive Director Corporate Facilities
Sue Baschuk	Teamsters Local 237 Representative

The Meeting was called to order by Chairman Feeney at 10:00 A.M.

ITEM #1 APPROVAL OF MINUTES OF THE BOARD OF DIRECTORS

MEETING July 24, 2014

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors' Meeting of July 24, 2014 whereupon a motion that those minutes be approved was made by Vice Chairman Hemendinger, seconded by Secretary Wynn and carried unanimously.

ITEM #2 JULY 2014 HANDLE REPORT

Comptroller Gazes reported the analysis of the July 2014 handle for the month of July was down \$ 357,844 or 3.9% from July 2013. The year to date handle through July 2014 was down \$ 3,112,812 or 4.8% from the same period in 2013. July handle was up as compared to projected handle by \$809,348 or 10.0%. Year to date handle through July was also up as compared to projected handle by \$ 3,300,041 or 5.6%.

The total number of QWIKBetz operations as of July 31st was 33, not including the Jon Thomas Inne. We are waiting on approval from the Gaming Commission for Harbor Crab in Patchogue and Diamond Club in Ronkonkoma. Due to so many new locations, total QWIKBetz handle was up \$183,349 or 27.9% for the month. Bapa Cards & Gifts, CB's, and Jimmy's all did exceptionally well. Total Qwik Bet handle was up \$ 547,358 or 9.1% year to date. Bapa Cards and Gifts, Biddy Spratt's and Savino's have done exceptionally well, combined they more than double what Jon Thomas Inne's YTD total for 2013. The internet wagering was up \$ 151,846 or 20.5% for the month, and \$ 840,588 or 16.6% year to date. Telephone wagering was down \$ 29,031 or 3.3% for the month, and down \$321,117 or 5.5% year to date.

The Racing Forum's handle was up \$163,162 or 5.9% for the month, and is down \$282,399 or 1.5% year to date. The six regular branch locations' total handle was down \$827,171 or 19.7% for the month, due to the loss of Sunrise having closed. Commack and Route 110 both stay open at night, and as a result they are both up for the month. Commack was up \$185,224 or 42.0%, and Route 110 was up \$ 188,422 or 54.0%. The six regular branch locations' total handle was down approximately \$3.9 million or 13.0% year to date. Sunrise's closing caused it to have the largest decrease of \$2,385,244 or 33.1%.

QWIKBetz handle increased from 7.1% of total handle for July 2013 to 9.5% for July 2014. Internet wagering increased from 8.0% of total handle for July 2013 to 10.1% for July 2014. Telephone Wagering increased slightly from 9.5% of total handle for July 2013 to 9.6% for July 2014. Racing Forum handle increased from 29.8% of total handle for July 2013 to 32.8% for July 2014. Regular branch handle decreased from 45.5% of total handle for July 2013 to 38.1% for July 2014. Year to date, QWIKBetz handle increased from 9.2% of total handle for July 2013 to 10.6% for July 2014. Year to date, Internet wagering increased from 7.8% of total handle for July 2013 to 9.5% for July 2014. Year to date Telephone wagering decreased from 8.9% of total handle in 2013 to 8.8% in 2014. Year to date Racing Forum increased from 28.2% of total handle in 2013 to 29.1% in 2014. Year to date Regular branch decreased from 46.0% of total handle in 2013 to 42.0% in 2014.

Belmont handle was down \$143,673 or 8.7%, despite one additional race day. The average handle per day decreased \$32,755 or 17.8%. Saratoga handle was down \$182,903 or 7.9%, with one more race day also. The average handle per day decreased \$32,888 or 15.5%. Finger Lakes handle was down \$28,116 or 8.6% with the same number of racing days as last year.

In-state harness handle was down \$119,462 or 21.3%. Monticello's handle was down \$79,751 or 36.0%, with the same number of race days as last year. Their average handle per day decreased \$4,197 or 36.0%. Yonkers handle was down also – they decreased \$39,526 or 14.6% with the same number of race days at 22. Tioga's handle increased \$4,385 or 122.2% with two less race days than last year (12 vs. 14). Saratoga Harness' handle also increased \$1,941 or 4.3%, with the same number of race days at 18. Total out of state thoroughbred handle was up \$49,978 or 1.5%. CDI tracks' (Calder, Arlington, Churchill, Canterbury, Indiana, Hoosier) combined handle was down \$20,705 or 3.8% with more race days than last year (76 vs. 68). Monarch tracks' (CA Fair, Delmar, Gulfstream, Lone Star, Los Alamitos, Monmouth, Portland Meadows, Tampa, and Meadowlands)

combined handle was up by \$312,427 or 26%. Most of that can be attributed to Gulfstream, which by itself had an increase of \$277,760 or 130.5% with more days than last year (17 vs. 10). All tracks combined had more racing days than last year (79 vs. 64) Out of state harness handle was up \$66,331 or 7.2%. Mohawk had the largest total dollar increase, at \$68,439 or 54.5%. Their daily average also increased 19.4%. Plainridge and Harrah's (Chester) had large total decreases of \$32,698 or 66.6% and \$20,219 or 17.3% respectively.

Statewide OTB Handle decreased \$2,687,291 or 4.8% for the month. Every region had a decrease. The smallest percentage decrease was Capital at 1.3% and the largest was Catskill at 8.6%. We had the 3rd smallest decrease in both dollars of \$357,844 and a percentage of 3.9% in spite of the closing of the Sunrise branch. Overall statewide year to date OTB handle is down approximately \$28.3 million or 7.1%. Year to Date handle through July decreased in every region, from a low of 4.4% for Capital to a high of 10.8% for the Catskill Region. We still have the smallest year to date decrease in dollars of \$3,112,813 and second smallest in percentage of 4.8%.

As of Thursday, August 21st, handle for the month is down \$ 477,011 or 6.7% from last year, and \$3,665,670 or 5.1% year to date. It appears that although we have definitely retained a large percentage of Sunrise's handle, we are starting to see an effect on handle from the closing of Sunrise.

ITEM #3 PRESIDENT'S REPORT

President Nolan stated that the financial condition of the handle report is industry wide and feels positive that our growth in the areas that we strategized and shifted our business to is on target.

President Nolan said that we are at the point in time where we will need to get a firm decision on where we will be receiving our loan, either Gates Capital or back to the original plan with the Delaware North loan. We will be in bankruptcy court September 3, 2014. The information we are getting with regards to the profitability of the new facility is conservative. We are confident in our partnership with Delaware North Companies. We have been using \$500 a square foot as a construction cost (given to us by Delaware North) we believe however that is a high projection and that \$300 to \$350 per square foot is more realistic and will save us millions of dollars in construction costs. Ron Parr of Parr Properties, Inc. reported that we will be pursuing the use of a septic system instead of hooking up to the sewer district. The cost of the septic system is under \$75,000 and Vice President Pancella added that the Health Department has approved the septic system subject to design approval. The sewer hookup was projected at a million plus. Additionally, we have negotiated a favorable agreement with the utility company that will save us a great deal of money. The overall picture of the funding is better than what the investors are looking at; we hope that the conservative approach is better for our overall credibility. We are planning to have firm decisions made prior to bankruptcy court date.

President Nolan stated that we are proceeding with the sale of our headquarters building, 5 David Drive in Hauppauge and have a potential buyer. We have a line on two very inexpensive non-profit locations to move in to when we close. We will be deciding on the new headquarters location very soon.

ITEM #4 VICE PRESIDENT'S REPORT

Vice President Pancella reported that the appraised value of the headquarter space is \$1.8 million dollars, and the selling price right now is \$2.5 million and we have two solid potential buyers. The buyer that we are leaning towards would require that we relocate immediately after the closing. We would therefore need to relocate to one or even utilize both locations President Nolan mentioned earlier. We may consider having the warehouse and the print shop and executive offices in different locations We are evaluating all our options at this point but either way we will be moving out of our current location in the near future.

A motion was made by Vice Chairman Hemendinger that the Board go into Executive Session. The motion was seconded by Secretary Wynn and carried out unanimously.

Upon reconvening in Open Session, Counsel McManmon stated that during Executive Session certain litigation matters were discussed. No motions were made and no votes were taken.

Chairman Feeney noted that the next meeting of the Board of Directors will be held Thursday, September 25, 2014 at 10 am.

There being no further business before the Board, a motion was made by Vice-Chairman Hemendinger that the meeting be adjourned. The motion was seconded by Secretary Wynn and carried unanimously.

Eddie S. Wynn, Secretary